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Buyer's Guide Issue

Military Market

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1990s

Decade of Decisions

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COMMANDERS PREDICT THE YEAR AHEAD

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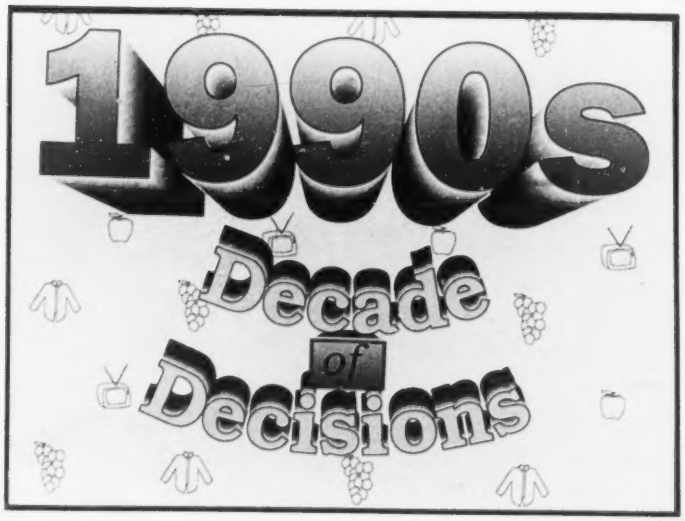

JANUARY 1990 VOL. 41, NO. 1

News

☐ Commissary systems review Jones Commission's report. ☐ Leath will not seek reelection. ☐ FDS changes foreseen. ☐ In just three months, AFCOMS European reorganization appears right on course. ☐ Sun states continue to draw rising tide of military retirees. ☐ GAO disputes findings of base-closing commission. ☐ Commissary Privilege Cards now required of Reservists and National Guard. ☐ Christmas sales mixed. 6

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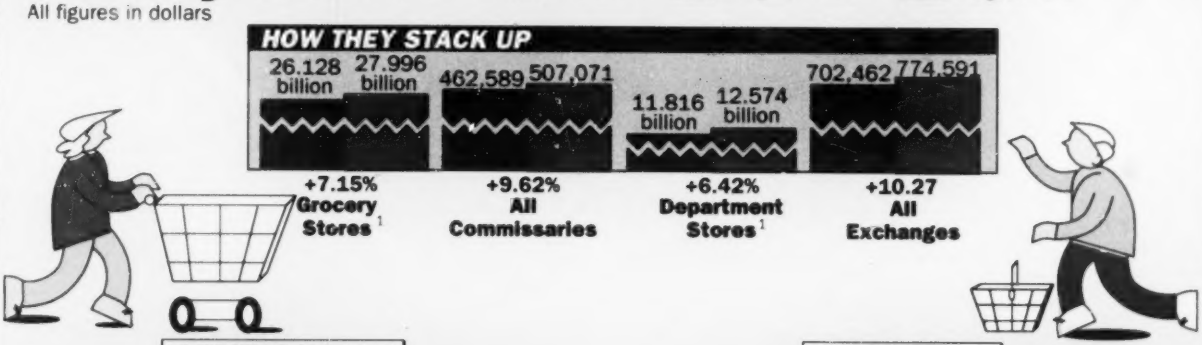
Sept. '88 Sept. '89

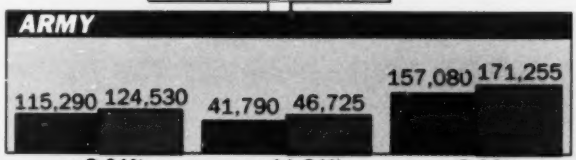
All figures in dollars

HOW THEY STACK UP

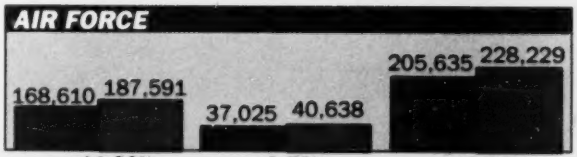


COMMISSARIES

ARMY



AIR FORCE



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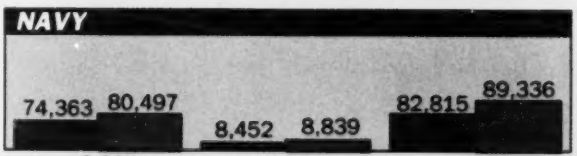

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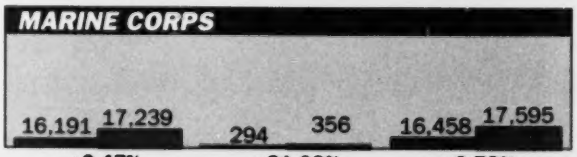

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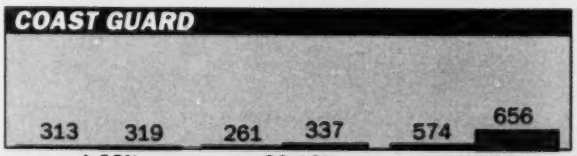

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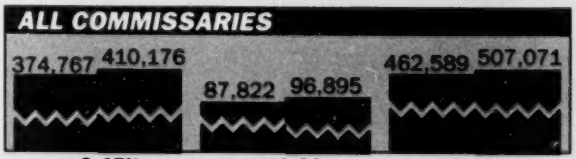

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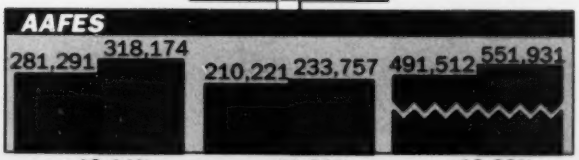

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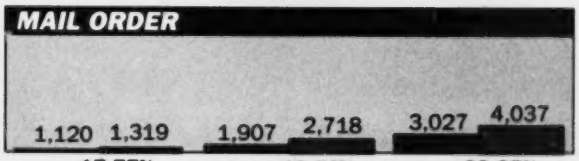

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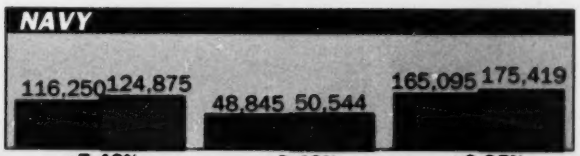
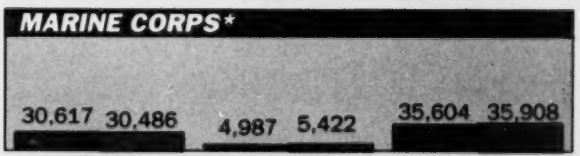


MARINE CORPS*



COAST GUARD

ALL EXCHANGES

1) Source: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

*Because of MWR consolidation, Marine Corps exchange sales in 1989 are not comparable to 1988 sales.

Marty Baumann

Checks and doublechecks:

GAO at odds with commission

The estimate of $694 million in annual savings to be gained by closing 86 military bases and partially closing five others is exaggerated, but the decision to close the facilities is sound, congressional auditors have concluded.

A more accurate figure would be a saving of about $453 million a year, according to the General Accounting Office. But the lower figure is "still a substantial saving" and the decision to close the bases is "still sound and logical," the GAO reported to Congress Nov. 29.

The GAO estimates that savings will probably be no more than $44 million a year, and said it will take at least four years to earn back the cost of transferring active-duty training to other bases.

Another controversial recommendation by the closing commission was to shut down the 6th Army's headquarters on San Francisco's Presidio. Closure was expected to save $74 million a year.

The GAO said savings would not be nearly that high. At best, closing the base would save $47 million a year, GAO auditors said. At worst, closing the base might cost $6.3 million a year.

The commission assumed that the Presidio property could be sold for $555 million. However, by law the Presidio can't be sold. If the Army abandons the property, it must be turned over to the National Park Service to be included in Golden Gate National Recreation Area. The Park Service estimated it would cost almost $14 million to incorporate the Army base into the recreation area.

Closing the base's Letterman Hospital could increase government medical expenses through CHAMPUS insurance and Medicare by $30 million a year, the GAO said.

The GAO also disagreed with the base closing commission's findings on the Army's Jefferson Proving Ground in Indiana. While GAO and commission estimates of annual savings were similar — about $6.5 million — the commission said the cost of closing the base could be recovered in six years. The GAO said it might take more than two centuries.

More than 30 million rounds of munitions have been fired at the proving ground since 1941, including more than 7 million rounds of high explosives. It could cost up to $653 million to sweep the base clean of unexploded ordnance, the GAO said.

GAO estimates of savings from closing a number of Air Force bases were also lower than those made by the base closing commission.

Shutting down Chanute Air Force Base in Illinois, for example, would save $69 million a year, the commission said. The GAO said savings would be more like $55 million a year. And the savings from closing George Air Force Base in California would be closer to $50 million a year than $70 million a year, the GAO said. Closing Mather Air Force Base in California would save $61 million a year, not $79 million, and closing Norton Air Force Base, California, which is plagued by air traffic congestion and outdated facilities, would save $58 million annually, not $68 million, the GAO said.

GAO auditors said that the Defense Department could save $7.5 million a year (not $8 million) by abandoning plans to enlarge the Navy base at Hunters Point, San Francisco, to accommodate a battleship, four cruisers, two destroyers and two frigates. The base closing commission said the ships should be sent to Pearl Harbor, San Diego and Long Beach instead.

It is expected to cost $85 million to build piers and shore facilities at the three bases to accommodate the ships, but it would have cost $85 million to enlarge Hunters Point for them.

Expanding the base at Hunters Point was part of Strategic Homeporting, a plan the Navy has fought hard to protect from changes. But since local opposition to homeporting a battleship in San Francisco had already virtually killed the idea, the Navy didn't object to the base closing commission's proposal to move the ships elsewhere.

California Dreamin'

The Government Accounting Office dispute with a Congressional commission's figures for cost/savings in the closing of military bases are exemplified by the following figures for California installations.

Estimated Money Saved

Site	Congress	GAO
George AFB	*$70 million*	*$50 million*
Mather AFB	*$79 million*	*$61 million*
Norton AFB	*$68 million*	*$58 million*
Hunters Point NB	*$ 8 million*	*$7.5 million*

Closing update

The base closing commission assumed that the Presidio property could be sold, but laws prevent its sale. Therefore, a provision in the 1990 Appropriations bill will transfer the scenic Army installation, which overlooks the Golden Gate Bridge, to the Interior Department which, in turn, will lease it back to the Army.

The move has saved the post's new commissary, which opened Oct. 10.

Replacing a 71-year-old converted horse stable, the new $13 million store has 93,240 square feet of space.

It includes a 32,682 square-foot sales area and a 23,295 square-foot warehouse. The Troop Support Agency implemented an energy-efficient design, where air from the refrigeration compressors and display cases is recycled to provide heat and air conditioning.

The new commissary will stock 8,500 line items and will average 34,000 transactions per month. It has 17 checkouts, a deli, bakery and fresh fish market.

In other TSA news, the branch commissary at Fort Sam Houston, Texas, was shut down on Sept. 26 after 46 years of operation. A TSA analysis determined that the closure will save about $200,000 in stock fund reductions, maintenance and utilities, while customers will be better-served at the main commissary.

Closing the branch store enables the agency to extend hours at the Fort Sam Houston main store. It now will operate 78 hours per week, seven days, with an evening-hours "minimart" six days a week. Before the branch closure, the main store operated on a 53-hour week.

The branch store had monthly sales of $377,381. It had an average of 14,516 customers a month.